



HOUSE OF COMMONS  
LONDON SW1A 0AA

Ack RR  
Box

16th March, 1979

I am now circulating the revised draft of the public sector pay letter for further consideration.

Willie Whitelaw, Jim Prior, Michael Heseltine and I had a quick meeting about this last night and all agreed that it should not go off until colleagues had had an opportunity to meet together to satisfy ourselves about the implications of putting such a document into circulation.

GH

The Rt. Hon. Mrs. Margaret Thatcher, MP  
The Rt. Hon. William Whitelaw, CH MC MP  
The Rt. Hon. Sir Keith Joseph, Bt MP  
The Rt. Hon. James Prior, MP  
The Rt. Hon. Patrick Jenkin, MP  
Mark Carlisle, Esq., QC MP  
Michael Heseltine, Esq., MP  
Nigel Lawson, Esq., MP  
David Howell, Esq., MP  
Rob Shepherd, Esq.,  
Christopher Patten, Esq

DRAFT NO.2 PUBLIC SECTOR PAY BY GEOFFREY HOWE

(Opening Sentence, to suit case)

Pay bargaining, in the government sector as elsewhere, must always be conducted in the knowledge that there are definite limits to the amount of money available. In the government sector this limit is set by the level of rates and taxes. In recent years, the present government has, for that purpose, introduced the new system of cash limits. That system has been set up with our full support and is here to stay.

On the other hand, it is clearly desirable to establish arrangements which will enable negotiators in the government sector to have the fullest possible access to the facts, including, where appropriate, comparisons between pay, pensions, efficiency and other conditions in the government sector and remuneration for genuinely comparable work and effort in other occupations.

This is why the Conservative Party has, for example, long accepted the use of Pay Research as a basis for Civil Service pay determination. So also we accepted in principle the Government's decision to reactivate the Pay Research Unit, together with the element of independent assessment that was introduced at the same time.

We have made it clear that we need to be sure that these pay research arrangements are operating on the right principles and are regarded, as they used to be, as a basis for negotiations rather than as a substitute for collective bargaining. No responsible Government or Opposition could give blanket approval in advance to the way in which the new Pay Research Unit is working nor an unqualified promise to implement its future recommendations.

Our reaction to the decision to refer to a new Standing Commission on pay comparability the groups referred by the present Government must be along similar lines. In particular, we shall need to be satisfied, in each <sup>such</sup> case, that the research and comparison takes full and proper account of such factors as comparative manning levels and productivity, relative job security, pension rights and other benefits, and the supply and demand for different kinds of labour including regional variations.

On that basis and within the accepted framework of the cash limits system, the next Conservative Government would be prepared to accept the recommendations of the Standing Commission in those <sup>specific</sup> cases where the present Government have agreed to do so.

for

16th March 1979

This is just to acknowledge your letter of today's date and your revised draft. I shall of course make sure that Mrs Thatcher sees this as soon as possible.

Richard Ryder  
Private Office

Steve  
Gammie

The Rt Hon Sir Geoffrey Howe QC MP